

## Message Text

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PAGE 01 STATE 118790  
ORIGIN TRSE-00

INFO OCT-01 ARA-06 ISO-00 EB-07 SS-15 /029 R

DRAFTED BY TREAS :J. SWEENEY  
APPROVED BY ARA/ECA:RWZIMMERMANN  
TREAS:ODN:J.NEWMAN  
STATE:ARA:ECA:T.SHUGART  
ARA/ECP;RTAYLOR

-----232338Z 013667 /65

P R 232210Z MAY 77  
FM SECSTATE WASHDC  
TO AMEMBASSY BRASILIA PRIORITY  
INFO AMCONSUL RIO DE JANEIRO  
AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: ETRD, BR

SUBJECT: BLUMENTHAL LETTER TO SIMONSEN  
FOR TREASURY ATTACHE (DEFALCO)

1. PLEASE DELIVER THE FOLLOWING LETTER, SIGNED MAY 18,  
TO FINANCE MINISTER SIMONSEN. ORIGINAL WILL FOLLOW VIA  
POUCH.

2. "DEAR MR. MINISTER: ONE OF THE MATTERS WE DISCUSSED  
AT OUR RECENT MEETING WAS THE RULING ISSUED LAST NOVEMBER  
BY OUR INTERNAL REVENUE SERVICE CONCERNING THE CREDITABIL-

ITY OF THE BRAZILIAN WITHHOLDING TAX ON INTEREST UNDER THE  
U.S. FOREIGN TAX CREDIT RULES.

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3. THAT RULING CONTAINED A CAVEAT WHICH PROVIDED THAT  
A 1957 RULING (REV. RUL. 57-106), ON WHICH THE BRAZILIAN  
RULING DEPENDED, WAS UNDER REVIEW BY THE INTERNAL REVENUE  
SERVICE AND MIGHT BE REVOKED OR MODIFIED. FORMER SECRETARY  
SIMON STATED IN HIS LETTER TO YOU OF NOVEMBER 19, 1976 THAT  
IF THE 1957 RULING WERE TO BE REVOKED, THE TREASURY DEPART-  
MENT WOULD CONSULT WITH YOU IN ADVANCE. AS I INDICATED AT

OUR MEETING, THE INTERNAL REVENUE SERVICE HAS COMPLETED ITS REVIEW OF REVENUE RULING 57-106 AND PROPOSES TO PUBLISH A MODIFICATION WHICH WILL REMOVE THE BASIS FOR THE FAVOR-

ABLE RULING TO THE BANK OF BRAZIL. ACCORDINGLY, I AM WRITING TO CONFIRM THE FACT THAT THE INTERNAL REVENUE SERVICE PLANS TO REVOKE LAST NOVEMBER'S TAX CREDIT RULING TO THE BANK OF BRAZIL AND TO OBTAIN YOUR VIEWS AS TO HOW THE REVOCATION CAN BE ACCOMPLISHED WITH A MINIMUM DISRUPTION OF BRAZIL'S CAPITAL MARKETS.

4. I WANT TO ASSURE YOU THAT I AM AWARE OF AND SYMPATHETIC WITH BRAZIL'S FOREIGN BORROWING SITUATION. AS YOU KNOW, THE BANK OF BRAZIL RULING PROMISES THAT, IN THE EVENT OF REVOCATION, THE REVOCATION WILL NOT BE RETROACTIVE WITH RESPECT TO LOANS ENTERED INTO PRIOR TO THE DATE OF REVOCATION AND THAT CONSIDERATION WILL BE GIVEN TO ALLOWING A REASONABLE TRANSITION PERIOD FOR THE INTEREST ON LOANS ENTERED INTO BEFORE THAT DATE. IT IS MY HOPE THAT WE CAN ALLOW A TIME PERIOD FOR IMPLEMENTING THE CHANGE WHICH WILL BE REASONABLE FROM BRAZIL'S PERSPECTIVE AS WELL AS FROM THE STANDPOINT OF OUR OWN LEGAL REQUIREMENTS. I LOOK FORWARD TO HEARING FROM YOU SOON. SINCERELY, W. MICHAEL BLUMENTHAL." VANCE

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TAX LAW, DIPLOMATIC COMMUNICATIONS, TAX AGREEMENTS, TAX RELIEF, LOANS  
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**Copy:** SINGLE  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Source:** CORE  
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**Drafter:** J. SWEENEY  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Office:** ORIGIN TRSE  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Review Media Identifier:**  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2402031  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BLUMENTHAL LETTER TO SIMONSEN FOR TREASURY ATTACHE (DEFALCO)  
**TAGS:** ETRD, EFIN, BR, US, (BLUMENTHAL, W MICHAEL), (SIMONSEN, MARIO HENRIQUE)  
**To:** BRASILIA  
**Type:** TE  
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**Review Markings:**  
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